HOUSING MARKET OUTLOOK
Barrie CMA

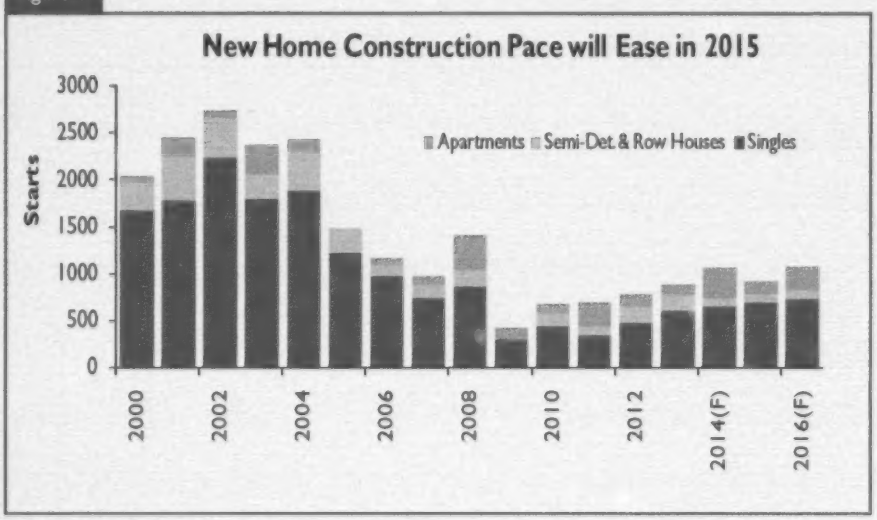
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2015

Highlights:

- Housing starts are forecast to ease by four per cent to 1,100 starts in 2015 and to rise by four per cent in 2016.
- MLS® sales will continue to edge higher over the forecast horizon.
- The vacancy rate will increase slightly to 1.8 percent in 2015.
- Growth of migration and employment will support increased housing demand through 2015 and 2016.

Figure 1



Source: CMHC

The forecasts and historical data included in this document reflect information available as of April 20, 2015.

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New Home Market: Construction will Moderate Before Bouncing Back

Total housing starts in the Barrie Metropolitan Area (CMA) are expected to decrease in 2015, but they will recover this entire decline over the course of 2016. Similar to last year, Barrie dealt with a prolonged and severe winter, which pushed starts in the first quarter to a very low level. Sustained demand characterizes the new housing market in the CMA, supported by low mortgage interest rates, new household formation, and employment growth. However, starts will remain constrained by the ongoing land scarcity in the City of Barrie and until the launch of the construction of the five towers planned for apartments on Barrie's waterfront. All these factors will cause starts to decline by four per cent below 2014 levels by the end of the year 2015.

Apartment starts were exceptionally high in 2014. High-rise developments will continue to add to housing starts, but the number of starts will be lower than last year because there will be only a few projects outstanding that have not yet broken ground. It's worth noting that high-rise developments are volatile and starts vary widely from year to year. Townhouse starts will continue to be significant and will increase in both years, indicating that the people in the area have begun to accept this type of affordable housing which often provides the same amount of living space as a single-detached home.

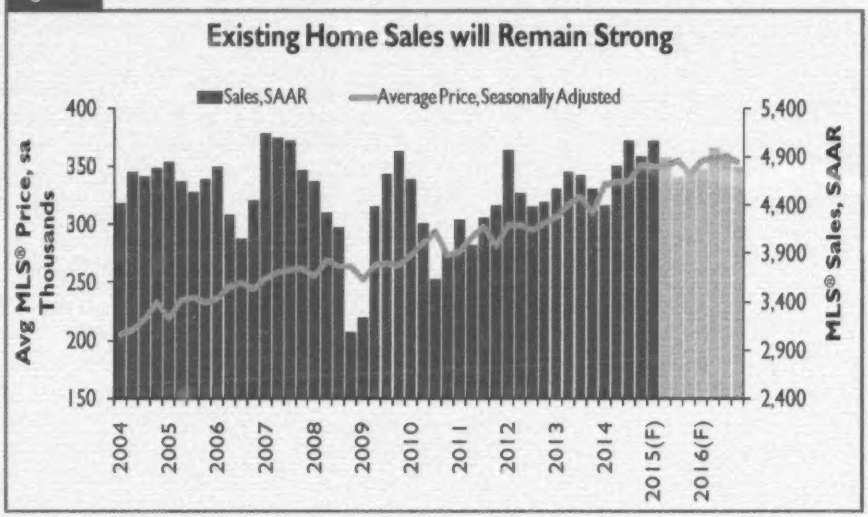
Land availability will continue to be an obstacle for the development of single-detached homes in the City of Barrie. The starts in this segment will be sustained at the 2014 level, but construction will mainly shift to Innisfil Township. A part of housing demand will shift to north of Barrie, in Springwater Township, an expensive submarket in the CMA. The inventory of single-detached homes is expected to stay low over the forecast horizon and will not be a factor limiting starts.

New home prices in Barrie are trending up, but they adjusted slightly down in 2014. The average price went down because many new homes were sold in the low range of $300,000 to $400,000. They were about 38 per cent of the total, mainly in the Innisfil Township. This price range is affordable for many migrants in search of single-detached homes. Meanwhile, demand for high-end single-detached homes is stable. These houses are popular among move-up buyers who are able to live away from the urban centre of Barrie and for migrants who had a home to sell in the Greater Toronto Area (GTA). These buyers bring with them large down payments to afford these homes. The average price of a new single-detached home in the Springwater Township is over $600,000 and the percentage of new homes in the township is around 12 per cent of the total new homes in the Barrie CMA. The high prices of these houses in Springwater will continue to pull up the average price of all new single-detached homes in the CMA. The average price is expected to pick up about 2.4 per cent this year and a little less in the next year.

Existing Home Market: Home Sales will Perform Well

Sales of existing homes in Barrie (CMA) are on pace to rise over the forecast horizon, but at a slower pace compared to last year. The number of MLS® firm deals will increase by two

Figure 2



Source: CMHC forecsts and CREA.
*Quarterly sales data are seasonally adjusted and multiplied by 4 to show an annual rate. Price data are adjusted for seasonal factors.
MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

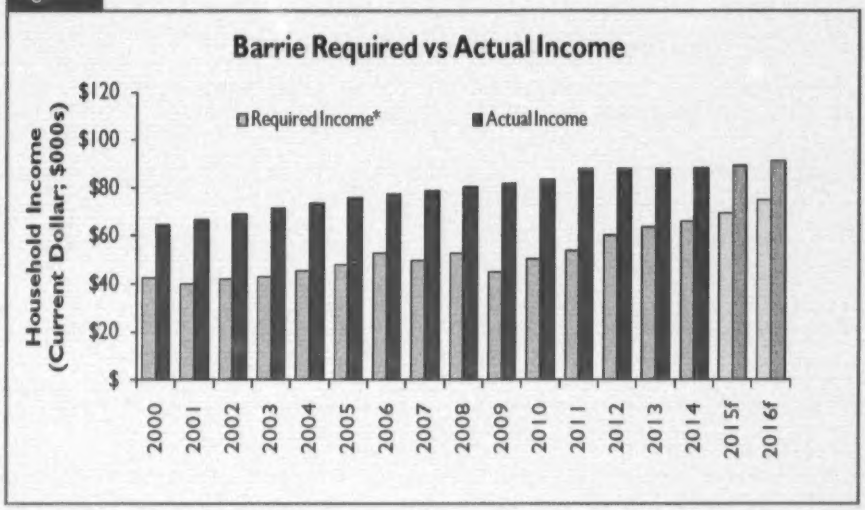
percent to 4,900 transactions in this year. In 2016, sales will rise again, but by just over one per cent.

Existing home MLS® sales picked up in the first quarter of 2015, driven by pent-up demand from buyers who couldn't find what they prefer in the fourth quarter of 2014. New listings had dropped about eight per cent from the third to fourth quarter, reducing the selection available to potential buyers. Sales will continue to increase, pulled up by strong demand in the Barrie housing market. Historically low mortgage rates and improving economies in Ontario and south of the border will support housing demand. The low Canadian dollar and improving US consumer confidence will support Canadian exports and the labour market. Many industries will expand such as trade, accommodation services and manufacturing.

The growing demand will be matched by modest growth of supply. Listings will increase in 2015 by one per cent, which may not be enough to satisfy the increasing demand. Potential sellers will continue to have a hard time finding suitable homes because of the mismatch between the desired home type and the houses available in the market. More demand combined with low inventory will keep the Barrie market tight. The sales-to-new-listings ratio (SNLR), a barometer of the housing market conditions, will be stable, at a level which indicates sellers hold the balance of power. These conditions will push up prices faster than the rate of the inflation.

The average MLS® price was down slightly the first quarter following a surge in the fourth quarter of 2014. The average price will be up five per cent to $358,000 in 2015 and

Figure 3



Source: CMHC, Statistics Canada, CREA.
*Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 percent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization.

at a somewhat slower rate in 2016. The move-up buyers from the GTA are able to afford these prices in Barrie because of their income or the accumulated equity from their previous homes. The price differential between Barrie and the GTA will make Barrie more appealing, especially with the lower price of gasoline. However, homes will become less affordable for some local residents. The required income to buy a home in the Barrie CMA is trending up, making homeownership a bigger challenge since wages are growing at a slower rate.

Rental Market: Will Stay Tight

The rental market in the Barrie CMA will remain tight in 2015. Rental supply will increase in 2016, specifically in the secondary market, pushing the vacancy rate up. Although youth employment turned down somewhat in the first quarter, it still remains strong, supporting household formation for this age cohort. Youths leave their parental homes to form households, but without enough savings for a down payment or a solid employment history to get into homeownership, these newly formed households start first with rental accommodations.

An affordable rental home is becoming more difficult to find in a rental market as tight as Barrie. With low construction of purpose-built rental, the rental apartment vacancy rate is forecast to rise only slightly from 1.6 per cent to 1.8 per cent in 2015. The slight increase is supported by an increase in rented units in the secondary market. Through information from industry contacts, some seniors are investing in the condo market and renting out their units. These investments will help them to prepare for their retirement. Also, the City of Barrie is working through the process of allowing more

secondary suites. People who are interested in renting less expensive units such as bachelors and one bedroom apartments will consider renting a secondary suite.

Some upscale units designated primarily for seniors and young professionals will push the rent up. The average rent for a two-bedroom apartment will be $1135 in 2015 and $1158 in 2016.

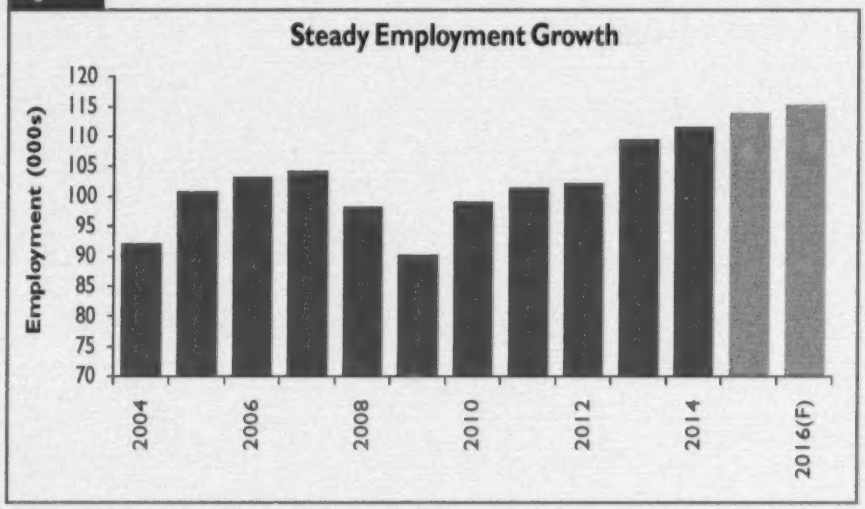
Economic Trends: Positive Economic Outlook Supports Housing Demand

The Barrie CMA economy is set to grow along with Ontario, supported by the improving economy south of the border, the depreciation of the Canadian dollar and low oil prices. Exports are recovering from the drop following the 2008 recession. They are growing in response to growing US demand. The low dollar value will make exports less expensive for US consumers.

The improving economy and the housing price differential with the GTA attract migrants to the Barrie CMA, particularly from the GTA. These intra-provincial migrants include empty nesters, downsizers, retirees and young families. The flow of migrants will continue through 2015 and 2016 leading to an annual increase of over 2.5 per cent throughout both years.

Barrie has one of the lower unemployment rates in Ontario. Employment is expected to pick up by 2.2 per cent in 2015 and 1.2 per cent in 2016. The labour force will also grow, but at a slower pace, benefiting from the rebound of industrial production. The jobless rate will drop lower to five per cent in 2015. Most of jobs in Barrie are in services, retail and tourism where wages are relatively low. With the improving economy, the average wage is expected to adjust up, driven by more manufacturing and construction jobs.

Figure 4



Source: Statistics Canada, CMHC forecasts

Mortgage Rate Outlook

Mortgage Rates Are Expected to Remain at or Close to Current Levels over the Forecast Horizon

Mortgage rates will continue to be supportive of housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain at or very close to current levels over the forecast horizon.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.30 to 3.50 per cent range, while the five-year rate is forecast to be within the 4.00 to 5.50 per cent range. For 2016, the one-year mortgage rate is expected to be in the 2.40 to 4.00 per cent range, while the five-year rate is forecast to be within the 4.20 to 6.20 per cent range.

Mortgage rates		
1 Year	Q1 2015	2.97
	Change from Q1 2014	-0.17
	2014	3.14
	2015 (F)	2.30 to 3.50
	2016 (F)	2.40 to 4.00
5 Year	Q1 2015	4.76
	Change from Q1 2014	-0.40
	2014	4.88
	2015 (F)	4.00 to 5.50
	2016 (F)	4.20 to 6.20

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q1 2015 data

Trends at a Glance

Key Factors and Their Effects on Housing Starts	
Mortgage Rates	Mortgage rates are expected to remain at or close to current levels over the forecast horizon.
Employment	Positive economic outlook for The United States and Ontario will support the creation of more job opportunities in Barrie CMA through 2015 and 2016. Employment growth, specifically full time job creation, will continue to support demand for all types of housing.
Income	Average weekly earnings growth will increase only modestly, and demand for home-ownership will be flat.
Resale Market	Resale market conditions will continue to favour sellers, pushing MLS® prices to grow, but at a slower pace.
Rental market	Growing demand for rental accommodations will tighten the rental market, but the increase in the available units in the secondary market will absorb a part of this demand.
Net migration	Proximity to the Great Toronto Area (GTA) and the housing price differential between GTA and Barrie CMA will stimulate demand for all types of housing.

Forecasts Risks

This outlook is subject to some risks, including:

- While lower oil prices are a net positive globally, global growth in the first quarter has disappointed. There is risk of a period of protracted global economic weakness and slow, possibly negative, price growth.
- Growth in Emerging Market Economies (EMEs) could disappoint. In China, economic growth projections have been revised downwards closer to 7%.
- While a soft landing in the housing market remains the most likely scenario, near record-high house prices and debt levels relative to income leave households vulnerable to adverse shocks. A disorderly unwinding of household sector imbalances, should it materialize, could have sizable negative effects on other parts of the economy and on inflation.
- An upside risk to our outlook is a stronger than expected growth in the United States since it would benefit Canadian exporters and likely drive greater-than-expected housing demand.
- Launch of the high density project on the Barrie waterfront or the availability of the annexed land from Innisfil sooner than expected will push overall housing starts to very high level.
- Any correction to the GTA housing market will impact prices in the Barrie CMA.

Forecast Summary Barrie CMA Spring 2015							
	2012	2013	2014	2015(F)	% chg	2016(F)	% chg
New Home Market							
Starts:							
Single-Detached	474	602	550	550	0.0	650	18.2
Multiples	308	289	598	420	-29.8	235	-44.0
Semi-Detached	6	6	6	5	-16.7	5	0.0
Row/Townhouse	179	165	130	90	-30.8	90	0.0
Apartments	123	118	462	325	-29.7	140	-56.9
Starts - Total	782	891	1,148	1,100	-4.2	1,140	3.6
Average Price ($):							
Single-Detached	425,776	456,970	451,548	462,200	2.4	470,000	1.7
Median Price ($):							
Single-Detached	369,990	392,800	412,400	428,900	4.0	441,800	3.0
New Housing Price Index (% chg.) (Ontario)	4.1	2.1	1.7	n/a	-	n/a	-
Resale Market							
MLS® Sales	4,576	4,648	4,795	4,900	2.2	4,950	1.0
MLS® New Listings	7,506	7,453	7,906	8,000	1.2	8,200	2.5
MLS® Average Price ($)	299,685	317,883	341,023	358,000	5.0	370,000	3.4
Rental Market							
October Vacancy Rate (%)	2.0	3.0	1.6	1.8	0.2	2.2	0.4
Two-bedroom Average Rent (October) ($)	1,037	1,048	1,118	1,135	1.5	1,160	2.2
Economic Overview							
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.30 to 3.50	-	2.40 to 4.00	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.00 to 5.50	-	4.20 to 6.20	-
Annual Employment Level	102,300	109,400	111,600	114,000	2.2	115,400	1.2
Employment Growth (%)	0.8	6.9	2.0	2.2	-	1.2	-
Unemployment rate (%)	8.1	7.1	6.0	5.0	-	4.6	-
Net Migration	1,835	1,818	1,692	1,740	2.8	1,800	3.4

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = apartments 3+

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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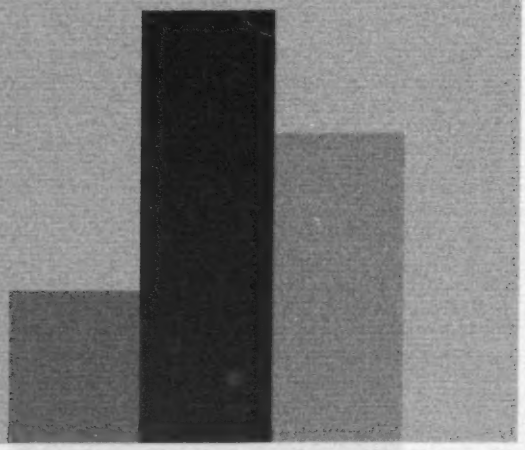

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